

Message Text

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ACTION AF-10

INFO OCT-01 IO-13 ISO-00 SP-02 ICA-11 AID-05 EB-08
NSC-05 TRSE-00 SS-15 STR-07 OMB-01 CEA-01 CIAE-00
COME-00 FRB-03 INR-10 NSAE-00 XMB-02 OPIC-03
LAB-04 SIL-01 /102 W
-----093744 150205Z /21

R 141430Z AUG 78
FM AMEMBASSY LOME
TO SECSTATE WASHDC 4628
INFO AMEMBASSY ABIDJAN
AMEMBASSY DAKAR
AMEMBASSY LAGOS
USMISSION USUN NEW YORK

C O N F I D E N T I A L SECTION 1 OF 2 LOME 2617

UNA FOR TEFFT

EO 11652: GDS
TAGS: EFIN ECIN XA
SUBJ: US FOREIGN ECONOMIC POLICY TOWARD AFRICA

1. DR A HOLLOWAY, CHARLES GORDON, REDSO/WA, AND CHARGE YOUNG MET WITH PIERRE DAMIBA, PRESIDENT OF BANQUE OUEST AFRICAINE DE DEVELOPPEMENT (BOAD) MORNING OF AUGUST 11. FOLLOWING A BRIEF OVERVIEW BY HOLLOWAY OF HER STUDY MISSION, DAMIBA DISCUSSED OBJECTIVES, STRATEGY AND RELATIONSHIPS OF BOAD.

2. DAMIBA SPOKE OF WEST AFRICAAN REGION ONLY, BEGINNING WITH POINT THAT PRESSURE FOR REGIONAL INTEGRATION IS DIFFERENT FOR PROSPEROUS COUNTRIES LIKE IVORY COAST AND FOR LEAST DEVELOPED ONES LIKE UPPER VOLTA. IVORY COAST NEEDS LARGER MARKET TO ASSURE CONTINUED DEVELOPMENT WHILE UPPER VOLTA NEEDS MARKET TO START ITS DEVELOPMENT. BECAUSE OF THESE PRESSURES, MANY EFFORTS ARE UNDERWAY IN REGION TO ORGANIZE REGIONAL COOPERATION.

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3. IN 1975, MCNAMARA (WORLD BANK) HAD REMARKED THAT WEST AFRICAN REGIONAL COOPERATION BEST DEVELOPED IN AFRICA DAMIBA AGREED WITH ASSESSMENT, ADDING, HOWEVER, THAT THERE WAS AN EXTERNALLY IMPOSED OBSTACLE TO SUCH REGIONAL DEVELOPMENT. THE USG, COMMON MARKET, WORLDBANK, ALL PROFESSED TO FAVOR REGIONAL DEVELOPMENT BUT WHEN REQUESTS MADE FOR FINANCIAL SUPPORT, THE WORLDBANK, FOR EXAMPLE, STATED PREFERENCE FOR MEMBER STATE'S

REQUESTS THEREBY BYPASSING REGIONAL ORGANIZATIONS. HE CITED EXAMPLE OF REQUEST TO ECA FOR SCHOLARSHIP FOR BOAD TRAINEE BUT ECA INSISTED REQUEST COME FROM NATIONAL GOVERNMENT MEMBER. SIMILARLY, EAMIBA WENT TO WORLD BANK FOR LINE OF CREDIT AND HAD BEEN REJECTED DUE TO BANK'S PREFERENCE FOR NATIONAL DEVELOPMENT PLANS.

4. DAMIBA THEN CONFIDENTIALLY PASSED TO HOLLOWAY DOCUMENT WHICH HE INTENDS TO PRESENT AT WORL BANK/IMF SEPTEMBER MEETINGS, BUT WHICH HAS NOT YET BEEN APPROVED BY HIS BOARD. REPORT BEGINS BY QUOTING NUMEROUS DONOR COUNTRY GOVERNMENTS STATEMENTS (CARTER,

VANCE, ET AL) OF SUPPORT FOR REGIONAE ECONOMIC DEVELOPMENT AND CITES EXAMPLES WHERE PRACTICES OF SOME DONORS ARE INCOMPATIBLE WITH PRINCIPLE OF SUPPORT. DAMIBA'S MAJOR POINT: PROCEDURES

IN PRACTICE MUST BE ADJUSTED TO SUPPORT POLICY PRONOUNCEMENTS.

5. FUTURE OF BOAD AS ORGANIZATION: DAMIBA SAID BOAZ HAD SEVERAL ADVANTAGES OVER OTHER REGIONAL ORGANIZATIONS. PROFESSIONAL STAFF HAS HIGHEST LEVEL OF EXPERTISE AND BY 1983 WILL HAVE OVER 100 TRAINED AFRICAN EXPERTS IN DEVELOPMENT FIELDS SUCH AS ENGINEERING, ECONOMICS AND FINANCE ANALYSIS. BANK WILL BE ABLE TO TAKE PROJECT THROUGH ALL STEPMS (IDENTIFICATION-DESIGN-SUPERVISION OF IMPLEMENTATION) USING IN-HOUSE AFRICAN EXPERTISE. SECOND ADVANTAGE OF BOAJ: IT HAS MAINTAINED CONFIDENCE OF CONFIDENTIAL

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ITS MEMBER STATES. RESULT: BOAD OPERATEJ UNDER MUCH LESS POLITICAL PRESSURE THAN OTHER ORGANIZATIONS. THIRD: BECAUSE OF PARTICIPATION OF ALL MEMBERS IN WEST AFRICAN MONETARY UNION, BOAD IS FREE FROM CURRENCY PROBLEMS. FOURTH: BOAD "GOOD HORSE TO BET ON" BECAUSE IT IS NOT LIMITED TO FRANCIPHONE COUNTRIES. CHARTERIALLOWS FOR ANY REGIONAL PROJECT IN WEST AFRICA PROVIDED ONE BOAD MEMBER INVOLVED. CLARIFYING THIS POINT, HE SAID BOAD COULD ONLY FINANCE WITH MEMBER CONTRI-UTION THE PARTICIPATION OF A MEMBER IN GIVEN REGIONAL PROJECT. HOWEVER, RESOURCES FROM AN EXTERNAL DONOR (SUCH AS AID) COULD BE USED TO FUND FULL COST OF REGIONAL PROJECT INCLUDING NON-MEMBERS. FIFTH: BOAD POSSESSES EXCELLENT SYSTEM OF INFORMATION GATHERING. FOR EXAMPLE, 100 EXPERTS NOW IN TRAINING HAD BEEN IDENTIFIED AND THEN RECRUITED DIRECTLY FROM THEIR UNIVERSITIES BEFORE THEY BECAME TAINTED WITH NARROW NATIONAL DEVELOPMENT OUTLOOK AS RESULT OF BOAD NETWORK.

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-----093781 150205Z /21

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6. DISCUSSING RELATIONSHIP OF BOAD TO AFDB, DAMIBA SAID RELATIONSHIP NOT NECESSARILY COMPETITIVE. IN LATE 1977: BOAD SIGNED COOPERATION AGREEMENT WITH AFDB AND ARE CURRENTLY CO-FINANCING TELECOMMUNICATIONS PROJECT INVOLVING UPPER VOLTA, MALI, NIGER. HE WOULDN'T DENY, HOWEVER, THAT SOME COMPETITION EXISTS BETWEEN TWO BANKS FOR DONOR FINANCING. IN HIS VIEW, AFDB, AS A CONTINENTAL INSTITUTION, HAS POLITICAL OBLIGATION TO FINANCE PROJECTS IN EACH MEMBER STATE (49) AND THEREFORE CONCENTRATES ON HELPING MEMBER STATES WITH THEIR NATIONAL PLANS AND DOES NOT FILL THE SAME ROLE AS REGIONAL EFFORTS LIKE BOAD AND ECOWAS. AN INSTITUTION LIKE BOAD, FOR EXAMPLE, DEFINES NEED IN EACH REGION FOR ECONOMIC COOPERATION AS A STRATEGY FOR REAL GROWTH BUT IT IS COMPLEMENTARY TO UFDB. DAMIBA CITED EXAMPLE OF BELGIAN GOVERNMENT PERSPECTIVE TO CHANNEL ALL AID THROUGH AFDB AS CONTINENTAL EFFORT. ALTHOUGH IT WAS DESIRABLE TO SUPPORT AFDB, BELGIANS COULDN'T DEVELOP INFORMED AND DETAILED PROJECTS OF INTEREST TO BELGIAN INDUSTRIAL SECTOR. BELGIAN BUSINESS COUNCIL ITSELF HAS MADE REPRESENTATIONS TO ITS GOVERNMENT TO CHANGE THIS POLICY.

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7. BOAD UP TO NOW HAS CONCENTRATED ON ESSENTIAL INFRASTRUCTURE AND RURAL DEVELOPMENT SECTORS. THIS TYPE OF PROJECT OF DIRECT HELP TO POOR PEOPLE HAS GIVEN BOAD CERTAIN MORAL STATURE AND

FAVORABLE IMAGE. HE EMPHASIZED MOREOVER THAT ALL THESE DEVELOPMENT PROJECTS WERE FINANCIALLY SOUND.

BECAUSE OF ITS INTEREST IN ATTRACTING GREATER PRIVATE SECTOR CAPITAL PARTICIPATION, BOAD HAS ESTABLISHED FOLLOWING GUIDELINES FOR ITS INVESTMENT OVER NEXT FIVE YEARS:

--28 PERCENT DIRECTED TOWARD PRIVATE INDUSTRIAL SECTOR. EXAMPLE: AGRO-INDUSTRY, TRANSPORT SERVICES AND ENERGY.

--28 PERCENT CHANNLED INTO INFRASTRUCTURE AND RURAL DEVELOPMENT.

--28 PERCENT TO GOVERNMENT-SPONSORED INDUSTRIAL PROJECTS IN INDUSTRIAL PARKS, TELECOMMUNICATIONS AND ENERGY.

--16 PERCENT

FORCREDITS FOR SMALL AND MEDIUM-SIZED INDUSTRIES AND RURAL-BASED BUSINESSES

DAMIBA STATED WEST AFRICAN PRIVATE SECTOR VERY DEVELOPED SINCE PEASANTS MOST ACTIVE IN

THIS SECTOR. THE PROBLEM REMAINS THAT SECGOR'S ACTIVITIES ARE TOO SMALL TO BE VIABLE; THE NEED IS TO UPGRADE THESE IN ORDER TO DEVELOP CAPABILITY OF SUPPORT ABOVE SUBSISTENCE LEVEL. AS UPPER VOLTAN MINISTER OF FINANCE SEVERAL YEARS AGO, HIS PROBLEM WAS ONE OF LACK OF BANKABLE PROJECTS. AS PRESIDENT OF BOAD, PROBLEM IS COMPLETELY DIFFERENT, THERE BEING MANY MORE PROJECTS THAN CAPITAL AVAILABLE TO DEVELOP THEM.

8. DAMIBA DISCUSSED BOAD RELATIONSHIPS WITH ENTENTE FUND AND CEAO. HE SHOWED US RECENTLY COMPLETED TELECOMMUNICATIONS STUDY ON EIGHT WEST AFRICAN FRANCOPHONE COUNTRIES AS EXAMPLE OF COOPERATION WITH ABOVE REGIONAL INSTITUTIONS. BOAD TOOK INITIATIVE
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FOR STUDY AND SUBSIDIZED 50 PERCENT OF ITS COSTS AND IS PRESENTLY DISCUSSING WITH ECOWAS WIDENING STUDY TO COVER ALL SIXTEEN MEMBERS.

9. DAMIBA INDICATED HIS UPCOMING VISIT TO WASHINGTON FOR WORLD BANK/IMF MEETINGS IN SEPTEMBER AND HIS WILLINGNESS TO CONTINUE DIALOGUE ON BOAD'S FUTURE DIRECTION.

10. SCHEDULED MEETING WITH ECOWAS FUND DIRECTOR, ROMEO HORTON, ON AUG 11, NOT HELD DUE TO HIS HOLDOVER IN LAGOS. HOWEVER, DR HOLLOWAY DID GET OPPORTUNITY TO MEET HORTON FOLLOWING DAY AT LUNCH HOSTED BY CHARGE. YOUNG

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 jan 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: POLICIES, ECONOMIC PROGRAMS
Control Number: n/a
Copy: SINGLE
Draft Date: 14 aug 1978
Decaption Date: 01 jan 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 20 Mar 2014
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1978LOME02617
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: GS
Errors: N/A
Expiration:
Film Number: D780332-1087
Format: TEL
From: LOME
Handling Restrictions: n/a
Image Path:
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Legacy Key: link1978/newtext/t19780868/aaaacesg.tel
Line Count: 218
Litigation Code IDs:
Litigation Codes:
Litigation History:
Locator: TEXT ON-LINE, ON MICROFILM
Message ID: c2f60d64-c288-dd11-92da-001cc4696bcc
Office: ACTION AF
Original Classification: CONFIDENTIAL
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 4
Previous Channel Indicators: n/a
Previous Classification: CONFIDENTIAL
Previous Handling Restrictions: n/a
Reference: n/a
Retention: 0
Review Action: RELEASED, APPROVED
Review Content Flags:
Review Date: 28 apr 2005
Review Event:
Review Exemptions: n/a
Review Media Identifier:
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 1750781
Secure: OPEN
Status: NATIVE
Subject: US FOREIGN ECONOMIC POLICY TOWARD AFRICA
TAGS: EFIN, ECIN, XA
To: STATE
Type: TE
vdkgvwkey: odhc://SAS/SAS.dbo.SAS_Docs/c2f60d64-c288-dd11-92da-001cc4696bcc
Review Markings:
Sheryl P. Walter
Declassified/Released
US Department of State
EO Systematic Review
20 Mar 2014
Markings: Sheryl P. Walter Declassified/Released US Department of State EO Systematic Review 20 Mar 2014